

## Message Text

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PAGE 01 BRUSSE 02040 041911Z

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ACTION EUR-25

INFO OCT-01 ISO-00 TRSE-00 FRB-02 AID-20 CIAE-00 COME-00

EB-11 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /166 W

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R 041630Z APR 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 403

INFO AMEMBASSY LUXEMBOURG

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS BRUSSELS 2040

DEPARTMANT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652 N/A

TAGS: EFIN, BE

SUBJECT: BELGIAN NATIONAL BANK CALLS FOR HIGHER INTEREST  
RATES

REF.: (A) BRUSSELS 681; (B) BRUSSELS A-26; (C) BRUSSELS A-43

1. IN THE REGULAR QUARTERLY SUPPLEMENT TO ITS ANNUAL REPORT  
(REF C), THE NATIONAL BANK ON MARCH 31 CALLED ON THE  
GOVERNMENT TO ALLOW AN IMMEDIATE INCREASE IN BELGIUM'S  
INTEREST RATES. THE BANK ARGUED THAT WITH BELGIUM'S  
INFLATION RATE IN 1974 LIKELY TO BE BETWEEN 12 PERCENT  
AND 15 PERCENT, A CENTRAL BANK DISCOUNT RATE OF 8.75 PERCENT  
AND AN EFFECTIVE "PRIME LENDING RATE" BY COMMERCIAL BANKS  
OF 11 PERCENT WERE TOO LOW TO CALL FORTH FUNDS. FURTHER  
MORE, THE BANK NOTED, A LOW INTEREST RATE ENCOURAGES AN  
EXPANSION OF CREDIT AND THUS FURTHER FUELS INFLATION.

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PAGE 02 BRUSSE 02040 041911Z

2. BELGIUM'S FINANCIAL COLUMNISTS HAVE UNANIMOUSLY SUPPORTED THE NATIONAL BANK'S PLEA WITH EVEN THE NEW COMMUNIST DAILY- LE DRAPEAU ROUGE - RELUCTANTLY IN ACCORD.

3. TRADITIONALLY, THE GOB HAS SOUGHT TO KEEP INTEREST RATES DOWN IN AN EFFORT TO KEEP THE COST OF THE NATIONAL DEBT DOWN AND IN AN EFFORT TO KEEP HOME MORTGAGE RATES LOW. (BELGIUM REPORTEDLY HAS THE HIGHEST PER CAPITA NATIONAL DEBT AND THE HIGHEST PERCENTAGE OF OWNER-OCCUPIED HOUSING IN EUROPE.)

4. COMMENT: WITH BELGIAN POLITICIANS VERY MUCH IN THE PROCESS OF NEGOTIATING THE FORMATION OF A COALITION GOVERNMENT, IT IS HARD TO IMAGINE THAT A RISE IN INTEREST RATES WILL BE ALLOWED UNTIL AFTER AN AGREEMENT IS REACHED AMONG THE POLITICIANS ON THE NEW GOVERNMENT'S COMPOSITION. STRAUSZ-HUPE

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## Message Attributes

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